November 12, 2025

Aye Finance Limited (erstwhile Aye Finance (P) Ltd.): [ICRA]A (Stable) assigned to Rs. 400-crore NCD programme; rating reaffirmed and rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term bank facilities	550.00	650.00	[ICRA]A (Stable); reaffirmed and assigned for enhanced amount
Non-convertible debenture	-	400.00	[ICRA]A (Stable); assigned
Total	550.00	1,050.00	

**Instrument details are provided in Annexure I*

Rationale

The rating action factors in Aye Finance Limited's (Aye Finance) comfortable capitalisation profile. The company has been raising equity capital regularly to support its growth and is comfortably capitalised to meet its envisaged growth over the near-to-medium term. ICRA takes note of Aye Finance's plan to raise equity capital in FY2026 through an initial public offer (IPO), which shall strengthen its capitalisation profile and provide cushion against volatility in the asset quality. The company was able to scale up its assets under management (AUM) at a compound annual growth rate of 25% during FY2020-FY2025 to Rs. 5,525 crore as on March 31, 2025 (Rs. 5,721 crore as on June 30, 2025).

The rating considers the deterioration in Aye Finance's asset quality and earnings profile. Delinquencies rose in FY2025 and H1 FY2026 with the 90+ days past due (dpd) at 5.1% as on September 30, 2025 (3.5% as on March 31, 2025; 3.0% as on March 31, 2024). Given the marginal borrower profile and the assessed income-based lending model, the segment remains susceptible to income shocks, leading to higher delinquencies and volatility in the asset quality. ICRA, however, takes note of the corrective measures being taken by Aye Finance, including the tightening of customer selection criteria and strengthening of the collections team among others. Given the deterioration in the asset quality and increase in credit costs, Aye Finance's earnings profile has moderated. It reported a profit after tax (PAT) of Rs. 171 crore in FY2025 (Rs. 31 crore in Q1 FY2026), translating into a return of 2.8% on average managed assets (AMA) and 11.8% on average net worth (1.7% and 7.3%, respectively, in Q1 FY2026), compared to Rs. 161 crore, 3.7% and 16.1%, respectively, in FY2024. The company's ability to improve the asset quality and contain credit costs would remain critical for a sustained improvement in the profitability.

The Stable outlook on the rating reflects ICRA's opinion that Aye Finance will be able to continue scaling up its operations while maintaining comfortable capitalisation.

Key rating drivers and their description

Credit strengths

Comfortable capitalisation profile – Aye Finance's capital-to-risk weighted assets ratio (CRAR) of 34.8%, as on June 30, 2025, was well above the regulatory requirement. With a net worth of Rs. 1,692 crore, the managed gearing stood comfortable at 3.1 times as on June 30, 2025 (3.0 times as on March 31, 2025). The company has been raising equity capital regularly to support its growth plans; the most recent capital infusion was Rs. 250 crore in September 2024. ICRA takes note of Aye Finance's plans to raise fresh equity capital of ~Rs. 885 crore through an IPO in FY2026 (total issue size of Rs. 1,450 crore, including Rs. 565 crore of offer for sale). This shall further strengthen its capitalisation profile and cushion it against volatility in the asset quality.

Credit challenges

Deterioration in asset quality and earnings profile – The company's asset quality has been deteriorating with gross stage 3 assets rising to 4.6% as on June 30, 2025 (4.2% as on March 31, 2025) from 3.2% as on March 31, 2024. In FY2025, write-offs as a proportion of gross advances increased to 4.1% (4.9% annualised in Q1 FY2026) from 1.3% in FY2024. As on September 30, 2025, the 90+ dpd (on AUM) stood at 5.1%, marginally breaching the ICRA-stipulated rating sensitivity of 5%. However, ICRA takes note of the corrective measures being taken by Aye Finance, including the tightening of customer selection criteria and strengthening of the collections team among others. Further, the company's solvency profile remains comfortable with net stage 3 assets of 4.7% of the net worth as on June 30, 2025. Nonetheless, its ability to sustainably improve its asset quality and contain slippages remains monitorable.

Given the deterioration in the asset quality, the company's credit costs have increased, thereby impacting its earnings. It reported a PAT of Rs. 171 crore in FY2025 (2.8% of AMA) compared to Rs. 161 crore (3.7% of AMA) in FY2024. The profitability remained under pressure in Q1 FY2026 with the company reporting a PAT of Rs. 31 crore (1.7% of AMA). Apart from the increase in credit costs, the rise in the share of relatively low-yielding mortgage loans has compressed the net interest margins to some extent. Given the deterioration in the asset quality and margin compression, ICRA expects Aye Finance's overall profitability to be subdued in FY2026. The company's ability to contain the credit costs while improving the operating efficiency will be key for a sustained improvement in its profitability.

Marginal borrower profile with susceptibility to income shocks – Aye Finance primarily lends to micro businesses like kiranas/general stores, dairies, manufacturers and traders with an annual turnover of Rs. 10 lakh-1 crore. With an average ticket size of Rs. 1-1.5 lakh, hypothecation loans and quasi-mortgage loans comprised 83% of the AUM as on June 30, 2025. The 30+ dpd (on AUM) increased to 6.8% as on September 30, 2025 from 5.2% as on March 31, 2025 (4.0% as on March 31, 2024). The customers in this segment typically have limited credit history and their cash flows could be volatile and highly sensitive to minor business disruptions and external shocks. Also, such borrowers would have limited financial flexibility to pay more than one or two instalments at a time. Given the marginal borrower profile, comprising mostly self-employed customers, and the assessed income-based lending model, the segment remains susceptible to income shocks, which has led to higher delinquencies and volatility in the asset quality. ICRA notes that the company is gradually scaling up its mortgage loan portfolio and plans to increase its share in the AUM to 30-35% in the near-to-medium term from 17% as on June 30, 2025.

Liquidity position: Adequate

The company's liquidity profile is adequate with unencumbered on-book liquidity of Rs. 1,078 crore as on June 30, 2025. This, along with the scheduled collections of Rs. 2,360 crore till June 30, 2026, is sufficient to meet the scheduled debt obligations of Rs. 2,108 crore during this period in a timely manner. The presence of Rs. 704 crore of sanctioned unutilised funding lines, as on June 30, 2025, also supports the liquidity profile. As per Aye Finance's asset-liability management (ALM) statement as on June 30, 2025, there were no cumulative mismatches across buckets.

Rating sensitivities

Positive factors – A sustained increase in the scale of operations, while maintaining adequate profitability and keeping the asset quality and capitalisation at prudent levels, could positively impact the rating.

Negative factors – A sustained deterioration in the asset quality (90+ dpd/AUM beyond 5%), thereby impacting the profitability, could put pressure on the rating. A continued increase in the managed gearing above 4.5 times or a deterioration in the liquidity profile could also exert pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Rating Methodology for Non-banking Finance Companies
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Aye Finance Limited (Aye Finance) is a non-banking financial company, which provides loans to micro and small enterprises in semi-urban areas with an annual turnover of Rs. 10 lakh-1 crore. It offers loans either through the hypothecation of working assets (81% of AUM as on June 30, 2025) or through mortgage properties (mortgage loan and quasi-mortgage loan constituted 17% and 2% of AUM, respectively, as on June 30, 2025).

The company commenced operations in FY2014 and was founded under the leadership of Mr. Sanjay Sharma, who has experience in retail lending. Aye Finance is backed by private equity investors – Capital G (Google), Falcon Edge, SAIF Partners (Elevation), A91 Partners, LGT Impact, Maj Invest, British International Investments, ABC Impact and others. As on June 30, 2025, the company had operations in 21 states/Union Territories through 527 branches, managing a portfolio of Rs. 5,721 crore.

Key financial indicators (audited)

Aye Finance Limited	FY2024	FY2025	Q1 FY2026*
Accounting as per	**Ind-AS**	**Ind-AS**	**Ind-AS**
Total income	1,066	1,501	404
PAT	161	171	31
Total managed assets	5,360	6,971	7,333
Return on managed assets	3.7%	2.8%	1.7%
Managed gearing (times)	3.1	3.0	3.1
Gross stage 3 assets	3.2%	4.2%	4.6%
CRAR	32.8%	34.9%	34.8%

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; *Limited review; Amount in Rs. crore*
Managed gearing = (On-book debt + Off-book portfolio)/Net worth

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years				
		Type	Amount (Rs. crore)	Nov-12-2025	Date & rating in FY2025		Date & rating in FY2024	Date & rating in FY2023	
					Dec-6-2024	Oct-4-2024	May-19-2023	Mar-15-2023	Jan-27-2023
1	Long-term bank facilities	Long term	650.00	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	-	-	-

	Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years				
		Type	Amount (Rs. crore)	Nov-12-2025	Date & rating in FY2025		Date & rating in FY2024	Date & rating in FY2023	
					Dec-6-2024	Oct-4-2024	May-19-2023	Mar-15-2023	Jan-27-2023
2	Non-convertible debentures	Long term	400.00	[ICRA]A (Stable)					
3	Non-convertible debentures	Long term	-		-	-	[ICRA]BBB+ (Positive); withdrawn	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Positive)
4	Non-convertible debentures	Long term	-		-	-	-	[ICRA]BBB+ (Positive); withdrawn	[ICRA]BBB+ (Positive)
5	Non-convertible debentures	Long term	-		-	-	-	-	[ICRA]BBB+ (Positive); withdrawn
6	Term loans	Long term	-		-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term bank facilities	Simple
Non-convertible debenture	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	**Long-term bank facilities**	NA	NA	NA	650.00	[ICRA]A (Stable)
NA	**Non-convertible debenture – yet to be placed**	NA	NA	NA	400.00	[ICRA]A (Stable)

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

A M Karthik
+91 44 4596 4308
a.karthik@icraindia.com

Prateek Mittal
+91 33 6521 6812
prateek.mittal@icraindia.com

Arpit Agarwal
+91 124 4545 846
arpit.agarwal@icraindia.com

Chandni
+91 124 4545 300
chandni@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar
+91 22 2433 1084
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-50

Branches